

CITY OF DUVALL
King County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. Annual Financial Reports Should Be Prepared And Submitted On A Timely Basis

The City of Duvall did not prepare and submit the required annual financial reports in a timely manner. The annual report for 1992 was not submitted until August 31, 1993.

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the division within one hundred fifty days after the close of each fiscal year.

When the financial records of the city are not prepared in a timely manner, the state legislature, city officials, the general public, city bondholders, and other interested parties are denied the financial information needed to make informed decisions and to ensure the accountability of city officials.

The delays in the submission of the annual report stem from the conditions of the accounting records noted in our 1991 audit of the City of Duvall. These conditions resulted in the 1991 financial report receiving an adverse opinion, and required city staff to expend a great deal of effort in reconstructing the accounting records and verifying the beginning cash and investment balances.

While submission of the annual report by August is a great improvement over the conditions in the preceding period, the city is still out of compliance with state statutes regarding report issuance. We recommend again that city officials take appropriate action to assure that all required financial reports are prepared and submitted in a timely manner.

2. Expenditures Must Be Limited To Appropriations.

Our examination of the City of Duvall's 1992 budget operations revealed that expenditures exceeded budgetary appropriations in the following funds:

Fund 401 - Water Fund
Fund 307 - Library Capital Improvement Fund
Fund 321 - Land Acquisition Fund
Fund 405 - 1982 Bond Redemption Fund
Fund 406 - 1962 Bond Redemption Fund
Fund 409 - Storm Drain Capital Improvement Fund

Cities are prohibited from incurring expenditures in excess of budgeted appropriations by RCW 35A.33.120, which states in part:

The expenditures as classified and itemized in the final budget shall constitute the city's appropriations for the ensuing fiscal year. Unless otherwise ordered by a court of competent jurisdiction . . . the expenditure of city funds or the incurring of current liabilities on behalf of the city shall be limited to the following:

(1) The total amount appropriated for each fund in the budget for the current fiscal year

In addition, RCW 35A.33.125 states in part:

Liabilities incurred by any officer or employee of the city in excess of any budget appropriations shall not be a liability of the city. The clerk shall issue no warrant and the city council or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund

The cause of these budgetary overruns in 1992 appears to be a lack of diligence by city management and city officials in monitoring fund expenditures to ensure there was sufficient appropriations to cover them. This resulted in the city council's budgetary controls established by statute being rendered ineffective.

We recommend that city officials institute procedures to more adequately monitor expenditures to ensure that budgetary appropriations are not exceeded in any fund.

3. The City Should Maintain Positive Cash Balances In All Funds

Our audit disclosed deficit (negative) cash balances in the following funds at year end:

Fund 403 - Garbage/Solid Waste Fund
Fund 307 - Library Capital Improvement Fund
Fund 310 - City Hall Capital Improvement Fund
Fund 320 - Open Space Acquisition Fund
Fund 321 - Land Acquisition Fund
Fund 410 - 1991 Bond Redemption Fund

Deficit cash positions are in violation of RCW 43.09.210, which states in part:

All services rendered by . . . one department, public improvement, undertaking, institution, or public service industry to another, shall be paid for at its true and full value . . . and no department . . . shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

Whenever one fund runs a negative cash balance, another fund must cover its expenditures; this has the effect of allowing the deficit fund to spend the resources of the solvent fund.

The above situation occurred primarily because of the poor state of the accounting records noted in our 1991 audit of the city. Because city staff was required to expend a great deal of time and effort in reconstructing the accounting records and verifying the beginning fund balances, ending cash and investment balances were not adequately monitored and controlled.

We recommend the city comply with state law and take appropriate steps to ensure that funds do not run deficit cash balances.